

MEMORANDUM FOR DISTRIBUTION

Subj: DISPOSITION OF EXCESS AND UNDERUTILIZED GOVERNMENT PROPERTY
IN THE POSSESSION OF DEFENSE CONTRACTORS

Ref: (a) Acting USD(A&T) memorandum of September 15, 1997

Encl: (1) Acting USD(A&T) memorandum of September 25, 1997, same subject
(2) DoN Implementation Plan: MRM #5 Review

It is Government policy that contractors are normally to provide all property necessary for contract performance. While the Federal Acquisition Regulation allows Government property to be provided for contract performance, providing such property should be the exception. However, in FY 1996, more than \$89 billion of DoD property was in contractor possession. This is nearly double the amount in FY 1986. This growth, along with associated costs to the Government and contractors to control, maintain, manage and report the property, has raised concern within the highest levels of the Departments of Defense and Navy.

Reference (a) reiterates DoD policy to reduce the amount of Government property in contractor possession. In furtherance of this objective, enclosure (1) requests the Military Departments and Defense agencies to review Government property to ensure that excess or underutilized property is identified, reviewed and appropriate disposition action taken. While continuous review for disposition of excess or underutilized property applies to all contracts, enclosure (1) requests a special review of Defense contracts reporting \$3 million or more of Government tooling, equipment and material to ensure that excess or underutilized property is dispositioned by January 1, 2000. Program and property managers are to work with their procuring contracting offices and contract administration offices to make prompt disposition decisions on property identified as excess or underutilized. Program or property managers should provide disposition instructions within 60 days of receipt of inventory schedules or other notification of excess or underutilized property.

This is an ambitious undertaking. We rely on your support and the support of your personnel and organizations with roles in furnishing, monitoring and dispositioning Government property in Defense contracts to ensure success. Questions or comments in this initiative can be addressed to Bob Johnson, OASN(RDA)ABM, at (703) 602-2805 (DSN 332-2805) or e-mail to: johnson.robert@hq.navy.mil.



Richard T. Ginman
RADM (Sel), SC, USN
Deputy for Acquisition and
Business Management

Distribution:
See Page 2

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IN THE POSSESSION OF DEFENSE CONTRACTORS

Distribution:

Program Executive Officers
Direct Reporting Program Managers
Heads of the Systems Commands
Chief of Naval Research
Deputy Chief of Staff, Installations & Logistics, HQMC
Commander, Military Sealift Command

Copy to:

CNO
CMC
ASN(FM)
Heads of the Contracting Activities (w/o encl)

MEMORANDUM FOR HEADS OF THE CONTRACTING ACTIVITIES

Subj: DISPOSITION OF EXCESS AND UNDERUTILIZED GOVERNMENT PROPERTY
IN THE POSSESSION OF DEFENSE CONTRACTORS

Ref: (a) Acting USD(A&T) memorandum of September 15, 1997

Encl: (1) Acting USD(A&T) memorandum of September 25, 1997, same subject
(2) DoN MRM #5 Implementation Plan

It is Government policy that contractors are ordinarily required to provide all property necessary for contract performance. While the Federal Acquisition Regulation allows Government property to be provided for contract performance, providing such property should be the exception. However, in FY 1996, more than \$89 billion of DoD property was in contractor possession. This is nearly double the amount in FY 1986. This growth, along with associated costs to the Government and contractors to control, maintain, manage and report the property, has raised concern within the highest levels of the Departments of Defense and Navy.

Reference (a) reiterated DoD policy to reduce the amount of Government property in contractor possession. Enclosure (1) requests a special review of Defense contracts reporting \$3 million or more of Government tooling, equipment and material to ensure that excess or underutilized property is dispositioned by January 1, 2000. Enclosure (3) provides guidance for Navy implementation of this initiative. Attached to the implementation plan is a listing of DoN administered contracts identified for this review.

Your support and the support of your procuring contracting and contract administration personnel and organizations is vital to the success of this initiative. Your contracting personnel must work with contractors to ensure that excess or underutilized property is identified and, once identified, work with program or property managers to ensure timely disposition action.

Please direct questions or comments in this initiative to Bob Johnson, OASN(RDA)ABM, at (703) 602-2805 (DSN 332-2805) or e-mail to: johnson.robert@hq.navy.mil.



Richard T. Ginman
RADM (Sel), SC, USN
Deputy for Acquisition and
Business Management

Copy to:
PEOs
DRPMs
SYSCOMS



ACQUISITION AND
TECHNOLOGY

THE UNDER SECRETARY OF DEFENSE
3010 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-3010



SEP 25 1997

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
DIRECTORS OF DEFENSE AGENCIES

SUBJECT: Disposition of Excess and Underutilized Government Property in the
Possession of Contractors

Deputy Secretary Hamre, in his Management Reform Memorandum No. 5 of May 21, called for a plan to dispose of all excess Government property in the possession of contractors by January 1, 2000. As I discussed in my September 15 memorandum, our Government Property Integrated Process Team identified this as one of three critical courses of action for decreasing the amount of property to which we take title and the amount of money we pay to keep it.

Accordingly, the Military Departments and the Defense Contract Management Command have developed a plan to eliminate excess Government-owned tooling, equipment, and material and reduce the amount of underutilized government property in the custody of contractors beginning immediately and concluding by January 1, 2000. In concert with the plan, Contract Administration Offices will ask those contractors having contracts that meet the review criteria to identify and report excess and underutilized government-owned property in their possession. Program managers and other property owners should be prepared to then make retention and disposition decisions according to the plan, a copy of which is attached.

I believe this plan presents us with an excellent opportunity to decrease both the complexity and costs of our property accounts. Should you need additional background, please contact Ms. Janice Hawk of the Defense Contract Management Command at (703) 767-3433.


R. Noei Longuemare
Acting Under Secretary of Defense
(Acquisition and Technology)

Attachment:
As stated

Encl (1) to
ASN(RDA)ABM memo of
14 Oct 1997



Disposition Review Plan for Government Property in the Possession of Contractors

- What:** Special Tooling (ST), Special Test Equipment (STE), Industrial Plant Equipment (IPE), Other Plant Equipment (OPE), and Material (GFM and CAM)
- When:** Review begins now; all disposition completed by January 1, 2000
- Why:** To remove unneeded government property and reduce the associated costs of ownership
- Who:** Contractors, Contract Administration Offices (CAO's), and Property Managers/Owners
- How:** Review of utilization/disposition procedures for all government property, followed by a review of ST, STE, IPE, OPE, GFM, and CAM on all contracts where the total acquisition cost of this property exceeds \$3 million

Definitions:

Excess Property: Government property no longer required for performance of contract requirements.

Underutilized Property: Government property used less than 10 percent of available time on Government contracts when the item is available from other sources and there is no known Government requirement supporting greater usage.

Contractors:

1. Review current procedures for identification of excess and for conducting utilization reviews, and revise as necessary.
2. Apply procedures/standards to contracts with ST, STE, IPE, OPE, GFM, and CAM >\$3 million to ensure identification of all excess/underutilized government property. (Contract Administration Offices have list of contracts based on DD Form 1662 [DoD Property In The Custody of Contractors] submitted at the end of Fiscal Year 96).
3. Report excess items on inventory schedules to the CAO (or turn in to base supply or DRMS, as directed by the CAO).
4. When retention of underutilized items is not justified, follow Step 3 above.
5. Advise CAO when review of contract(s) is complete.

Contract Administration Offices:

1. Assist contractors with review of their procedures, as necessary, and approve revisions.
2. Resolve contractor questions.
3. Include disposition and utilization functions during property system analyses.
4. Receive inventory schedules (or turn-in documents) and process as appropriate (e.g., to Procuring Contracting Officer [PCO], PM, property owner, etc.).

5. Forward disposition instructions to the contractor after screening.
6. Follow up when disposition decisions are not forthcoming from Property Managers/Owners or PCO.
7. Use Management Councils as applicable to maintain focus on this review.
8. Maintain information on acquisition value of property reported as excess during this review; also on sales proceeds if available.

Program Office/Property Managers/PCO:

1. Ensure procedures are in place to review reports of excess/underutilized property.
2. Work funding issues relative to storage, demilitarization, environmental requirements, etc.
3. Provide disposition or shipping instructions to the CAO within 60 days of receipt of inventory schedules.
4. Approve funded storage contracts when there is justification for retention of property at the contractors' location.

REPORT OF DISPOSITION OF CONTRACTOR INVENTORY	TO (include ZIP Code)			FROM (include ZIP Code)			REPORT CONTROL SYMBOL		
	REPORT PERIOD								
SECTION I - SUMMARY	INDUSTRIAL PLANT EQUIPMENT			OTHER CONTRACTOR INVENTORY			TOTAL		
	CASES	LINE ITEMS	ACQUISITION COST	CASES	LINE ITEMS	ACQUISITION COST	CASES	LINE ITEMS	ACQUISITION COST
1. ON HAND - BEGINNING OF REPORT PERIOD									
2. ADJUSTMENTS									
3. RECEIPTS									
4. AVAILABLE FOR DISPOSITION (Total lines 1 - 3)									
5. COMPLETIONS (Line 10 - Section II)									
6.									
7. ON HAND - END OF REPORT PERIOD									
SECTION II - DETAILS OF DISPOSITION ACTIONS	INDUSTRIAL PLANT EQUIPMENT		OTHER CONTRACTOR INVENTORY		TOTAL				
	ACQUISITION COST	PROCEEDS	ACQUISITION COST	PROCEEDS	ACQUISITION COST	PROCEEDS			
8. PURCHASES OR RETENTIONS AT COST									
9. RETURN TO SUPPLIERS									
10. TOTAL REDISTRIBUTIONS									
a. Within Owning Agency									
b. Other Agencies									
c.									
d.									
11. DONATIONS									
12. SALES									
13. SALES - PROCEEDS TO OVERHEAD									
14. OTHER									
15.									
16. DESTROYED OR ABANDONED									
17.									
18. TOTAL DISPOSITIONS									
SECTION III - REMARKS									
<p align="center">INSTRUCTIONS FOR MRM #5 REVIEW</p> <p>Prepare consolidated DD 1638 quarterly for each DoN contract in the MRM #5 review. In upper right hand corner (Report Control Symbol) box, enter MRM #5 followed by the contract number.</p> <p>Include disposition of all Government property types regardless of type of turn-in document used (inventory schedules, DD 1348, DD1149, etc.) Do not complete crossed-out sections.</p> <p>Prepare consolidated DD 1638 to arrive at OASN(RDA)ABM ten (10) calendar days following the end of a quarter. First report due on or before January 10, 1998. Submit reports to: OASN(RDA)ABM - Bob Johnson, 2211 South Clark Place, Arlington, VA 22244-5104 Fax: (703) 602-2117 or DSN: 332-2117</p> <p>Please provide significant comments (i.e., contract completed, property transferred to follow-on contract.) in the Remarks block. Direct questions/comments to Bob Johnson at (703) 602-2805 (DSN: 332-2805) or johnson.robert@hq.navy.mil</p>									
19. APPROVING OFFICIAL									
a. NAME (Last, First, Middle Initial)			b. TITLE		c. SIGNATURE			d. DATE SIGNED	
			Telephone #: ()						
			DSN:						

DoN Implementation Plan: MRM #5 Review

- Encl: (1) DoN Administered contracts for MRM #5 Review
(2) Sample letter to Contractors
(3) DD Form 1638 for MRM #5 Review

Contracting Officer Responsibilities: Administrative Contracting Officers shall take necessary action to:

- For DoN administered contracts listed in enclosure (1), advise contractors of the review initiative and request their support and cooperation for the identified contracts. Contractor notifications should be substantially the same as the Sample letter at enclosure (2) and be issued not later than October 31, 1997.
- Ensure that, to the maximum extent practicable, property control system reviews for identified contractors are completed not later than June 30, 1998. The property control system review is critical to assessing the contractor's ability to identify excess and underutilized Government property.
- Advise PCOs and program/property managers of identified contracts and provide copies of contractor notification(s). Complete disposition instructions should be received within 60 days of ACO notification of excess or underutilized Government property. ACOs shall initiate follow-up action if disposition instructions or other comments are not received within the stated 60 days and record time until receipt of disposition instructions.
- Prepare quarterly disposition reports for each contract identified in enclosure (1). Reports shall be prepared on an individual contract basis using annotated DD Form 1638 (enclosure (3)) and be submitted, not later than the 10th calendar after the end of the quarter, to Bob Johnson, OASN(RDA)ABM, 2211 South Clark Place, Arlington, VA 22244-5104 (fax (703) 602-2117) or johnson.robert@hq.navy.mil. The first report is due **January 10, 1998**.

Procuring Contracting Officers shall coordinate efforts between contract administration office (DCMC or other) and program/requirements office to effect timely disposition instructions.

Program or Property Managers Responsibilities: Program/property managers shall provide complete disposition instructions within 60 days of ACO notification or advise when such disposition instruction will be available, normally not more than 120 days. If final disposition instructions are not provided within 120 days, the PCO and ACO shall inform the commanding officer of the program/property manager activity and request final disposition instructions within 30 calendar days.

- Disposition options include maintaining property in contractor possession under funded storage agreements; transfer of property to other contracts/contractors; return of property to Government possession; or disposal.

Questions/Comments: Questions or comments can be addressed to Bob Johnson at (703) 602-2805, fax or e-mail above.

DoN Administered Contracts for MRM #5 Review

COMMAND	CONTRACT	CONTRACTOR	GP (\$)
MSC	N00033-92-C-1303	Alpha Marine Services, Inc	21,960,400.00
	N62387-95-C-4001	US Marine Management	9,587,509.00
MSC Total			#####
NAVAIRSYSCOM	N68520-90-D-0057	Beech Aerospace Services	35,260,250.00
	N68936-95-D-0084	Boeing Computer Support Services	7,088,250.00
	N00123-93-C-0323	Computer Sciences Corp	16,226,375.00
	N62474-91-C-2375	Day & Zimmerman Services	5,750,654.00
	N61339-92-D-0007	Hughes Technical Services	9,193,815.00
	N60530-89-D-0050	Loral Space & Range Systems	4,763,498.00
	N68936-94-D-0006	Manufacturing Technology, Inc.	99,245,605.00
	N60530-92-D-0022	Research & Development Labs	3,513,152.00
	N68520-93-D-0028	UNC Support	8,059,742.00
	N68520-94-D-0023	UNC Support	9,984,573.00
NAVAIR Total			#####
NAVFACENGCOM	N62742-92-D-0509	Baker Support Servcies, Inc	113,137,820.00
	N62742-92-D-0508	Burns & Roe Services, Inc	52,482,763.00
	N62474-90-D-0087	Johnson Controls World Services	16,670,186.00
	N62742-93-D-0610	OHM Remediation Services	4,930,241.00
	N62467-90-D-0669	Johnson Controls World Services	10,645,491.00
	N62742-92-D-0501	Piquini Management Corp	19,114,477.00
NAVFAC Total			#####
NAVSEASYSKOM	N61339-92-C-0011	Autec Range Servcies	54,259,270.00
	N00024-92-C-2304	Avondale Gulfport Marine	22,508,857.00
	N00024-93-C-2205	Avondale Gulfport Marine	5,787,700.00
	N00024-94-C-2200	Avondale Gulfport Marine	23,353,754.00
	N00024-88-C-2048	Avondale Shipyard Div	5,743,344.00
	N00024-88-C-2050	Avondale Shipyard Div	3,646,088.00
	N00024-88-C-2178	Bath Iron Works	8,047,278.00
	N00024-89-C-2033	Bath Iron Works	11,324,030.00
	N00024-90-C-2801	Bath Iron Works	43,132,322.00
	N00024-90-C-2802	Bath Iron Works	35,693,344.00
	N00024-92-C-2805	Bath Iron Works	#####
	N00024-93-C-2800	Bath Iron Works	555,058,449.00
	N00024-94-C-2802	Bath Iron Works	162,794,517.00
	N00024-92-H-8050	Continental Maritime of San Diego	4,854,898.00
	N00024-92-H-8600	Dreadnaught Marine, Inc	3,216,294.00
	N00024-87-C-4086	General Dynamics - Electric Boat	12,786,452.00
	N00024-88-C-2000	General Dynamics - Electric Boat	5,863,182.00
	N00024-88-C-2196	General Dynamics - Electric Boat	3,126,875.00
	N00024-89-C-2000	General Dynamics - Electric Boat	406,264,511.00
	N00024-89-G-2178	General Dynamics - Electric Boat	3,198,353.00
	N00024-90-C-2115	General Dynamics - Electric Boat	14,768,360.00
	N00024-90-E-EB08	General Dynamics - Electric Boat	16,182,000.00
	N00024-91-C-2120	General Dynamics - Electric Boat	199,879,496.00
	N00024-91-C-2902	General Dynamics - Electric Boat	231,836,873.00
	N00024-93-E-8540	General Dynamics - Electric Boat	6,223,116.00
	N00024-95-C-2101	General Dynamics - Electric Boat	42,931,331.00
	N00024-87-C-2256	Ingalls Shipbuilding	34,167,305.00
	N00024-92-C-2204	Ingalls Shipbuilding	289,985,269.00
	N00024-92-C-2800	Ingalls Shipbuilding	417,367,558.00
	N00024-93-C-2806	Ingalls Shipbuilding	394,959,589.00
	N00024-94-C-2800	Ingalls Shipbuilding	235,426,345.00
	N00024-96-C-2300	Ingalls Shipbuilding	6,077,717.00
N00024-92-C-2203	Intermarine, USA	194,535,276.00	
N00024-91-C-4355	Knolls Atomic Power Laboratory	180,709,779.00	
N00024-92-H-8043	Metro Machine Corp.	19,671,077.00	

61,039,743.00

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DoN Administered Contracts for MRM #5 Review

	N00024-93-C-2203	National Steel & Shipbuilding	13,000,000.00	
	N00024-93-C-2214	National Steel & Shipbuilding	20,032,458.00	
	N00024-93-C-2303	National Steel & Shipbuilding	26,312,860.00	59,345,318.00
	N00024-85-C-7424	Newport News Shipbuilding	3,103,255.00	
	N00024-85-G-2022	Newport News Shipbuilding	3,871,904.00	
	N00024-86-C-2078	Newport News Shipbuilding	23,072,775.00	
	N00024-86-H-8002	Newport News Shipbuilding	25,547,634.00	
	N00024-87-C-2046	Newport News Shipbuilding	386,418,964.00	
	N00024-88-C-2055	Newport News Shipbuilding	614,593,971.00	
	N00024-88-C-2195	Newport News Shipbuilding	5,020,977.00	
	N00024-90-C-2100	Newport News Shipbuilding	19,839,001.00	
	N00024-90-C-2900	Newport News Shipbuilding	41,340,925.00	
	N00024-90-E-3501	Newport News Shipbuilding	60,998,801.00	
	N00024-90-G-2902	Newport News Shipbuilding	3,422,752.00	
	N00024-91-C-2121	Newport News Shipbuilding	213,849,803.00	
	N00024-92-C-2119	Newport News Shipbuilding	75,469,673.00	
	N00024-92-H-8019	Newport News Shipbuilding	37,518,743.00	
	N00024-93-C-2102	Newport News Shipbuilding	193,452,425.00	
	N00024-93-C-2103	Newport News Shipbuilding	11,483,237.00	
	N00024-93-C-2216	Newport News Shipbuilding	9,372,750.00	
	N00024-94-C-2105	Newport News Shipbuilding	25,085,682.00	
	N00024-95-C-2102	Newport News Shipbuilding	4,870,840.00	
	N00024-95-C-2106	Newport News Shipbuilding	3,800,000.00	
	N62793-94-G-0001	Newport News Shipbuilding	41,596,598.00	#####
	N00024-94-C-8542	Norfolk Shipbuilding & Drydock	4,408,823.00	
	N00024-95-C-8505	Norfolk Shipbuilding & Drydock	4,161,812.00	
	N62470-89-C-7896	SPSA	4,708,042.00	
	N00024-92-C-2201	Textron Marine Systems	8,335,859.00	
NAVSEA Total			#####	
NAVSUPSYSCOM	N62474-90-C-1363	DYNCORP	3,601,163.00	
	N00612-91-C-0223	Martin Marietta Services	27,397,916.00	
	N00604-92-C-3015	Vitro Services Corp	3,230,182.00	
NAVSUP Total			#####	
ONR	N00014-96-D-0001	Center for Naval Analysis- Hudson	5,288,370.00	
	DAAH01-89-D-A004	Georgia Institute of Technology	17,108,301.00	
	F33615-89-C-1035	Georgia Institute of Technology	7,023,071.00	
	F33615-92-C-1045	Georgia Institute of Technology	7,511,932.00	
	DNA001-96-C-0029	New Mexico Engr Research Inst	6,052,276.00	
	DAAE30-96-D-002	New Mexice State Univ - Phy Sci	8,507,461.00	
	N00039-93-E-0026	Pennsylvania State University	4,022,598.00	
	DAHC90-91-C-0028	U of Lowell Research Foundation	6,179,986.00	
	DABT63-93-C-0030	Univ of Southern Calif	14,688,298.00	
	F30602-91-C-0146	Univ of Southern Calif	6,668,280.00	
	DAAA21-85-C-0212	U of Texas, Austin	3,463,922.00	
	DAAA21-86-C-0215	U of Texas, Austin	5,080,195.00	
	DAAA21-86-C-0281	U of Texas, Austin	6,570,624.00	
	N00039-96-E-0077	U of Texas, Austin	11,047,348.00	
	N00039-96-E-0076	University of Washington	8,191,415.00	
	N00014-89-E-0147	Woods Hole Oceanographic Inst	13,661,079.00	
ONR Total			#####	
SPAWAR	N00189-90-D-0214	GTE Government Systems	4,064,540.00	
	N00039-89-E-0131	Johns Hopkins Applied Research Lab	213,850,732.00	
	N00612-93-D-7313	Milcom Systems	10,272,349.00	
	N00612-95-D-7501	Milcom Systems	6,056,335.00	
	N00189-91-D-0004	Raytheon Service Co. - VA	10,272,367.00	
SPAWAR Total			#####	
		DoN Total	#####	

Sample Letter to Contractors

Senior officials within the Departments of Defense and Navy are concerned about excess and underutilized Government property in possession of contractors. Despite Defense policy to reduce the amount of Government property, the amount of Government property has doubled in ten years. Growing concerns over Government property contribute to disposition of excess Government property becoming one of DoD's Acquisition Year 2000 - Internal Reinvention goals.

The Acting Under Secretary of Defense for Acquisition and Technology requests the support and cooperation of program and property managers, Defense contractors and contracting personnel to identify and disposition excess and underutilized Government property and to take appropriate disposition action on the unneeded property by January 1, 2000. While continuous review for excess or underutilized Government property applies to all Government contracts, Acting Under Secretary Longuemare requests special review of Defense contracts reporting \$3 million or more in Government tooling, equipment and material. Attached for your information are copies of Secretary Longuemare's memorandum and the Disposition Review Plan. Also attached is a listing of your contracts meeting the disposition review threshold.

Property clauses in your contracts require you to identify and report, in accordance with contract requirements or contracting officer direction, property no longer needed for performance of the contract. You are requested to review Government property and report excess property to the point of contact identified below. This should include any property excess to your requirements that you are holding without benefit of a funded storage contract at the request of a Government official. If you hold such property, you are requested to forward a copy of the instruction letter along with your inventory schedules or other turn-in documentation to the point of contact when practicable. This will allow us to confirm whether retention remains appropriate and to ensure that a funded storage agreement is issued.

Underutilized property is defined as Government property used less than ten percent of available time on Government contracts, where there is no know Government requirement supporting greater usage and which is available from other sources. You are requested to also review for underutilized property. Report underutilized property on separate inventory schedules or other turn in documents, noted as 'underutilized/not excess.'

Your disposition process and on-going performance will be evaluated by this office during property control system analysis reviews. Your support and cooperation is vital to the success of this initiative. If you have any questions, please contact your point of contact,

_____ at _____.

Attachments:

- Acting USD(A&T) memo of September 25, 1997
w/ Disposition Review Plan

- List of Contracts